

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2144 - SB 2397**

February 17, 2022

**SUMMARY OF BILL:** Requires that for purposes of computing “net earnings” or “net loss” for excise tax purposes, Section 174 of the Internal Revenue Code regarding the deduction for research and experimental expenditures must be applied as it was before the enactment of the Tax Cuts and Jobs Act of 2017.

**FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-2006(a)(1), for any entity considered a corporation for tax purposes, net earnings or net loss is defined as federal taxable income or loss before the operating loss deduction and special deductions in the U.S. Code.
- Under current law, effective until January 1, 2022, taxpayers can deduct all research or experimental expenditures as incurred.
- The 2017 Tax Cuts and Jobs Act will require research and experimental expenditures to be deducted over a period of five years or fifteen years for foreign research and experimental expenditures, effective for tax years beginning on or after January 1, 2022.
- The proposed legislation will allow taxpayers to continue to fully deduct all research or experimental expenditures as incurred. This will affect the timing at which tax revenues are received and when deductions are claimed relative to when such action would take place if the state did not decouple from federal law.
- As the proposed legislation will allow payments and deductions to continue in the same manner in which those were made historically, any fiscal impact to state or local government is considered to be not significant.

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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